

BALDWIN • LIMA • HAMILTON

Annual Report

1956

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BALDWIN-LIMA-HAMILTON CORPORATION

BOARD OF DIRECTORS

HENRY F. BARNHART	<i>Lima, Ohio</i>
H. E. COOMBE	<i>Cincinnati, Ohio</i>
JOSEPH N. EWING	<i>Valley Forge, Pennsylvania</i>
EDWARD HOPKINSON, JR.	<i>Chestnut Hill, Pennsylvania</i>
MCCLURE KELLEY	<i>Glen Moore, Pennsylvania</i>
ERWIN LOEWY	<i>New York, New York</i>
WM. CLARKE MASON	<i>Chestnut Hill, Pennsylvania</i>
JAMES H. MCGRAW, JR.	<i>New York, New York</i>
FREDERIC A. POTTS	<i>Ambler, Pennsylvania</i>
WILLIAM WOOD PRINCE	<i>Chicago, Illinois</i>
GEORGE A. RENTSCHLER	<i>New York, New York</i>
WALTER A. RENTSCHLER	<i>Hamilton, Ohio</i>
JOHN J. ROWE	<i>Cincinnati, Ohio</i>
MARVIN W. SMITH	<i>Wynnewood, Pennsylvania</i>
LOUIS FENN SPERRY	<i>Scarsdale, New York</i>
MILTON STEINBACH	<i>New York, New York</i>
RALPH K. STILES	<i>Hillsborough, California</i>
JAMES M. WHITE	<i>Scarsdale, New York</i>

EXECUTIVE OFFICERS

GEORGE A. RENTSCHLER	<i>Chairman of the Board</i>
MCCLURE KELLEY	<i>President</i>
MARVIN W. SMITH	<i>Chairman of the Executive Committee</i>
JAMES M. WHITE	<i>Vice President—Manufacturing</i>
ANDREW LISTON	<i>Vice President—Sales</i>
R. NEVIN WATT	<i>Vice President and Assistant to the President</i>
CHARLES E. ACKER	<i>Vice President, Secretary and Treasurer</i>
PERRY A. WHITE	<i>General Controller</i>

TRANSFER AGENTS

IN PHILADELPHIA	<i>Fidelity-Philadelphia Trust Company</i>
IN NEW YORK	<i>Bankers Trust Company</i>
IN CINCINNATI	<i>The Fifth Third Union Trust Company</i>

REGISTRARS

IN PHILADELPHIA	<i>The First Pennsylvania Banking and Trust Company</i>
IN NEW YORK	<i>The First National City Bank of New York</i>
IN CINCINNATI	<i>The Central Trust Company</i>

HIGHLIGHTS

	<u>1956</u>	<u>1955</u>
Net sales.....	\$195,300,000	\$160,300,000
Net income.....	\$3,732,000	\$1,756,000*
Per share.....	\$.86	\$.40 *
Cash dividends declared.....	\$1,737,000	\$2,162,000
Per share.....	\$.40	\$.50
Shareholders' book equity.....	\$108,085,000	\$111,245,000
Per share.....	\$24.88	\$25.61
Working capital.....	\$67,805,000	\$63,943,000
Per share.....	\$15.61	\$14.72
Additions and improvements to facilities.....	\$3,326,000	\$2,510,000
Depreciation and amortization charged to income..	\$3,677,000	\$3,442,000
Orders received.....	\$197,727,000	\$191,854,000
Orders unfilled.....	\$95,172,000	\$102,508,000
Number of shares outstanding at end of year.....	4,343,585	4,343,585
Number of shareholders.....	21,109	21,742
Number of employees.....	12,111	13,224

*1955 net income and special credit amounted to \$3,656,000 or \$.84 per share.

TO THE SHAREHOLDERS:

The net income of Baldwin-Lima-Hamilton Corporation for the year 1956 amounted to \$3,731,913 or 86 cents a share compared with net income for the year 1955 of \$1,756,453 or 40 cents a share. Net income and special credit for the year 1955, including an unrequired income tax provision of prior years of \$1,900,000, amounted to \$3,656,453 or 84 cents a share.

From time to time throughout the year, we reported to you on progress being made in solving certain long-standing problems that confronted present management of the Corporation.

The most difficult of these problems was the Eddystone Plant. Originally constructed for the sole purpose of complete, integrated manufacture of steam locomotives of various types, the Eddystone Plant was outmoded for present-day competitive manufacturing. As previously announced, excess Eddystone property, comprising about 300 acres, 2 large and 6 smaller buildings, together with the office building and a heating plant, has been sold. This contraction of facilities has permitted a large number of machine tools and other facilities no longer needed at Eddystone, to be transferred to other divisions. Surplus tools and facilities have been liquidated.

A small plant at Rochelle, Illinois, has also been sold, and production there has been transferred to the Austin-Western Works at nearby Aurora.

Operations of the Electronics and Instrumentation Division, formerly carried on in four separate locations, were consolidated in a new plant at Waltham, Massachusetts. Loewy engineering and division sales offices in New York City have also been consolidated.

All costs incident to this program of concentration and rearrangement of facilities, including losses resulting from property, equipment and parts liquidation and book adjustment of certain drawings and patterns, amounting to \$5,154,658 (net of applicable reduction of Federal taxes) have been charged to accumulated earnings.

Shipments in 1956 amounted to \$195,300,000 compared with \$160,300,000 in 1955. Steel shortages, especially heavy plate and structurals which constitute most of our steel needs, plagued us throughout the year. Frequently, it was necessary to pay premium prices to satisfy delivery requirements, adding substantially to the cost of sales. This condition could well continue throughout the coming year because of the tightness of heavy plate and structural requirements.

Salaried personnel of the various divisions have been covered by group insurance and pension plans with varying provisions and benefits. Some of these plans were in effect when the Company acquired certain divisions. New uniform contributory plans have been formulated to become effective in 1957.

Properties and plant accounts everywhere have been well maintained. To meet the increased demand for higher alloy steel forgings and castings, new electric furnaces, including heat treating and other facilities, are being installed at the Standard Steel Works. This work will be completed before the end of the year.

Several of our divisions have been active in ballistics and missile programs of the Armed Services. For example, the Electronics and Instrumentation Division has contributed force measurement systems to three major programs. Loewy participated in the design and installation of the launching system for the Earth Satellite "Vanguard", and is cooperating with a leading manufacturer in developing a large simulator for launching heavy missiles. We believe our participation in these programs will be continuing.

Last July, the light-weight train, New York Central's "Xplorer", was placed in regular service between Cleveland and Cincinnati. Baldwin furnished the locomotive for this train—a new development with an unusually light-weight diesel engine and mechanical hydraulic drive. This train has operated about 125,000 miles, with a good record of availability. Operational costs at this present writing, are gratifying. A similar train for the New Haven Railroad is undergoing test trials.

Performance to date, we feel, has justified us in going ahead with engineering for a new all-purpose 1800 h. p. prototype for freight service using this same principle.

We have continued to enter into license agreements with outstanding manufacturers in foreign countries, where, for various reasons, the possibility of securing orders for domestic manufacture is precluded. These agreements provide fees in return for our engineering and technical assistance. The Company is receiving a rather significant return from these fees, which should continue.

We feel that genuine progress has been made. Our plants are in good shape; our engineering position has been maintained. We are confident about the future.

However, as regards the economy as a whole, we feel that the matter of annual wage increase, without corresponding improvement in productivity, is certainly a threatening cloud on the business horizon. In our opinion, this contributes to dollar erosion. We do not believe that inflation can be held in check solely by managing currency.

McCLURE KELLEY
President

GEORGE A. RENTSCHLER
Chairman of the Board

March 7, 1957

As reported to you last year, present B-L-H Management is committed to a program of centralized executive policy and decentralized administration. Centralization of policy makes possible directional control and coordination. Decentralization of administration develops initiative and responsibility.

Herewith follow comments of the various Division Administrators with respect to their activities in the year 1956.

EDDYSTONE DIVISION

EDDYSTONE, PENNSYLVANIA

J. J. Rosecky, Vice President and General Manager

PRODUCTS

Commercial Weldments and Fabrication • Diesel Engines • Water Power Turbines
 Railway Dump Cars • Brass and Bronze Castings • Ship Propellers
 Diesel Locomotive Renewal Parts

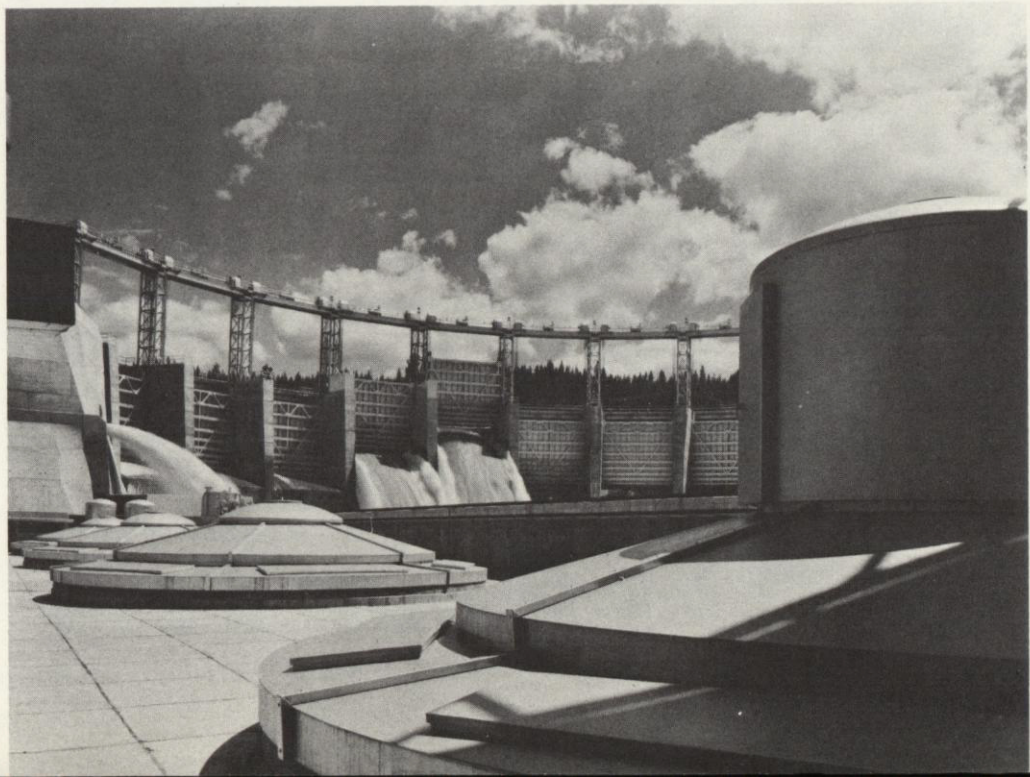
This Division has completed a difficult and trying year. As previously reported, the basic Eddystone problem was the profitable utilization of existing buildings and facilities. To refresh your memory, the property account at Eddystone covered 381 acres, and included several buildings each comprising about 1,000,000 sq. ft. under one roof. These buildings were constructed many years ago by The Baldwin Locomotive Works.

Some 300 acres of this property, including buildings and certain facilities located therein, have been sold. The manufacturing activity of this Division is now concentrated in the retained property, comprising about 81 acres with three large shops approximating 1,400,000 sq. ft.

Most of this costly and difficult chore of liquidating and moving equipment, whilst at the same time carrying on production, is at last completed. The principal products of the Division now consist of hydraulic turbines, diesel locomotive renewal parts, ship propellers, weldments, heavy machinery of various kinds and railway dump cars. Elsewhere in this report are comments concerning the Corporation's prototype mechanical hydraulic diesel locomotives.

We believe we are on the right track at Eddystone and the present year will mark the turning point.

Cabinet Gorge plant of Washington Water Power Company which is equipped with four B-L-H Hydraulic turbines.



HAMILTON DIVISION

HAMILTON AND MIDDLETOWN, OHIO

Walter A. Rentschler, *Vice President and General Manager*

Robert G. Tabors, *Vice President and Assistant General Manager*

PRODUCTS

Forming and Stamping Presses • Mechanical and Hydraulic Presses • Compacting Presses • Industrial and Railroad Machine Tools • Hamilton Diesel Engines
Can Making Machinery • Glass Grinding and Polishing Machinery
Heavy Iron Castings • Weldments

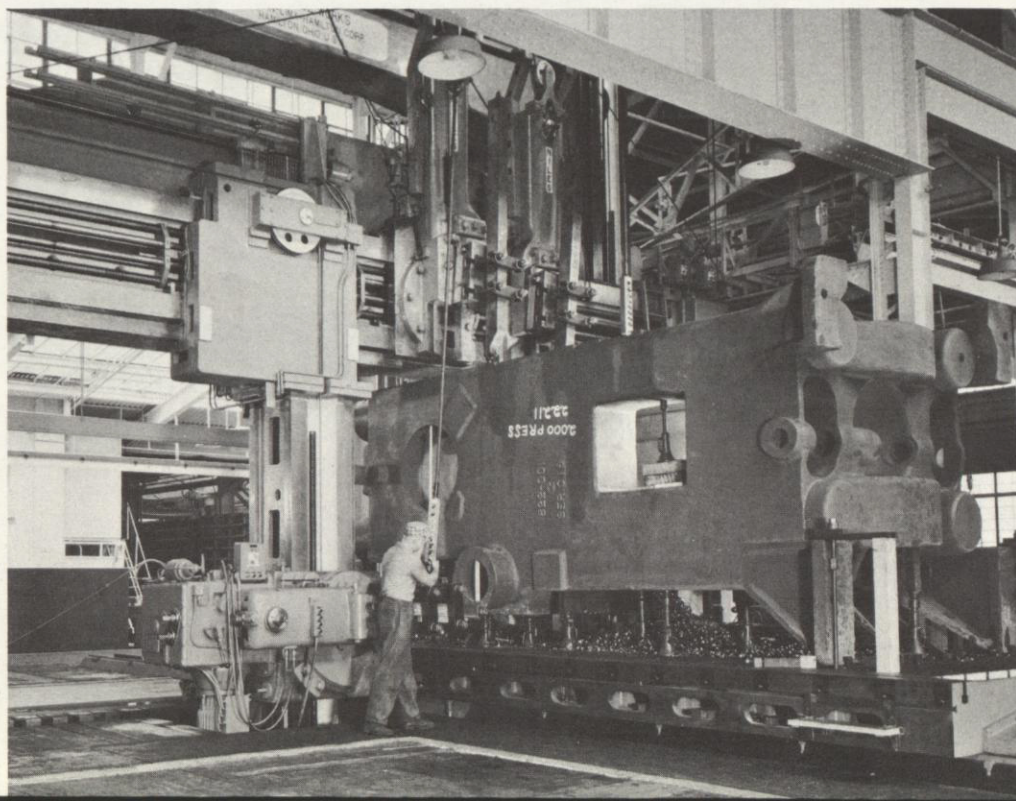
Hamilton engineers have been busily engaged in a study of advanced automation of its mechanical press line for the automotive industry. Some interesting developments can be expected.

This Division took over the hydraulic and compacting press lines of the Eddy-stone Division, and have merged these activities with its mechanical press department.

There is substantial interest in the new Hamilton design high-speed can making machinery line. Several recent installations have demonstrated the advantages of certain cost saving features.

Backlog of orders for heavy duty and large size machine tools was at the year end higher than for some time. It is expected that this branch of the Division's business will continue active.

During the year Hamilton heavy duty diesel engines were installed in a Liberty Ship replacing steam equipment. They have now been in successful operation for several months, and have interesting possibilities for future marine use.



Niles 23' Auxiliary Housing Planer installed in the Tiffin, Ohio plant of National Machinery Company.

LOEWY-HYDROPRESS DIVISION

111 FIFTH AVENUE, NEW YORK 3, N. Y.

Erwin Loewy, *Vice President and General Manager*

Hugo Lorant, *Vice President*

PRODUCTS

FOR FERROUS AND NON-FERROUS METALS

Hot and Cold Rolling Mills • Forging and Extrusion Presses • Heavy Hydraulic Machinery • Pipe Testers • Pumps • Accumulators • All Steel Mill Equipment

INDUSTRIAL ENGINEERING

Engineering Surveys • Complete Metalworking Plants • Automated Weighing, Stenciling and Handling Equipment for Pipe and Steel Mills

MISSILE HANDLING AND LAUNCHING SYSTEMS

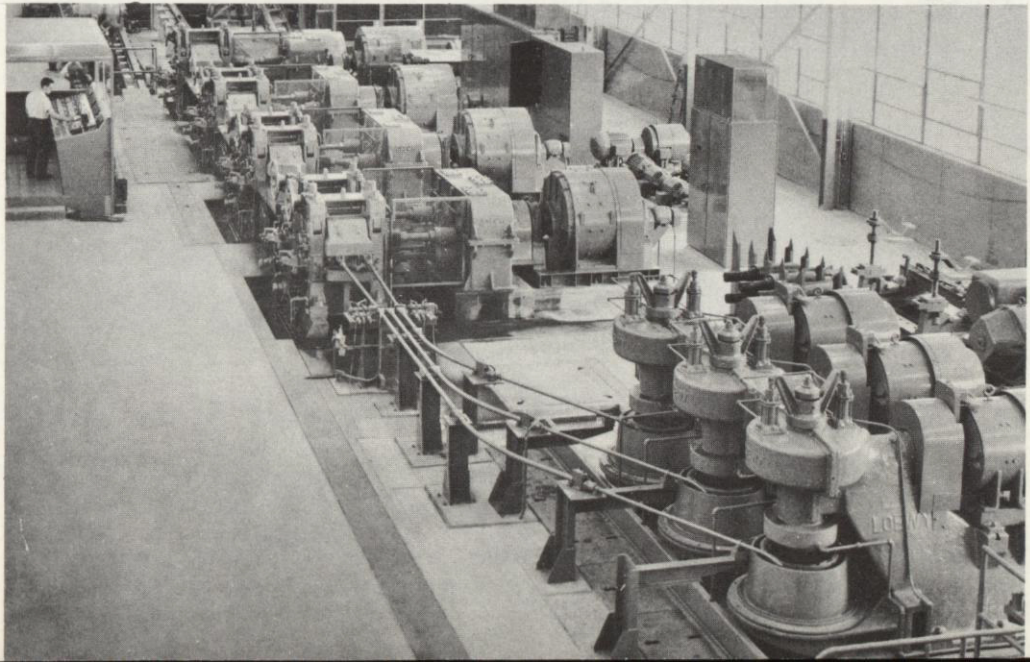
During the past year six Loewy heavy presses designed and built under the United States Air Force program, have produced uninterruptedly on a daily three-shift basis. The American Newspaper Publishing Association recognized this achievement by using a photograph of one of the 50,000 ton forging presses in a full page advertisement in 680 nation-wide daily newspapers.

Requirements for nuclear and other new materials, such as titanium and certain types of stainless steels, have resulted in a completely new approach to the design of extrusion presses. The Loewy line has been further developed, incorporating the application of electronic controls and other improvements. A large number of orders for these presses of new design were received during the year from such firms as American Brass Company, Wolverine Tube Company and Calumet & Hecla Copper Corporation.

Following heavy expenditure by the Rolling Mill Department on foil mill development, world-wide orders for 16 mills of this type have been booked. An outstanding installation is the fully automatic copper rod rolling mill at Packard Electric Company, a Division of General Motors.

Among other new developments with interesting possibilities is a measuring, weighing and stenciling installation for tube mills. The Electronics and Instrumentation Division's SR-4 strain gauge is utilized, permitting a fully automatic cycle, major savings in labor costs and reduced hazard in manufacturing.

We are pleased to report that, in cooperation with the Glenn L. Martin Company, Loewy has designed the launching platform for the first artificial satellite. In the same field, in conjunction with the Chrysler Corporation, a large simulator is being developed for launching the heaviest missiles.



Loewy-Hydropress fully
automatic copper
wire rod mill.

STANDARD STEEL WORKS DIVISION

BURNHAM, MIFFLIN COUNTY, PA.

John D. Tyson, *Vice President and General Manager*

PRODUCTS

Steel Forgings • Steel Castings • Steel Tires • Wrought Steel Wheels • Steel Springs
Weldless Rings and Flanges

New orders entered and shipments made during 1956 were the largest in Standard's long history. At the year end, unshipped orders were also the largest ever recorded.

Broader sales coverage, a program begun in 1955, was continued, thereby adding to the customers list.

Operations were made more efficient by replacing oil and powdered coal with natural gas in the many furnaces throughout the plant. Natural gas permits closer heating control and results in cleaner and more economical operation. Costs were reduced further by the installation of new machine tools, including certain excess equipment procured from the Eddystone Division.

As the result of research and development, Standard has become a principal producer of gas turbine forgings. Our Company has been approved as a supplier of super alloy components for jet engines. It also is producing alloy steel rings for guided missiles.

Processes have been worked out successfully for the rolling of aluminum rings and the forging of aluminum discs.

Another development during the year was the successful forging and conditioning of titanium ingots and billets, including the rolling of rings from these billets.



Removing surface
imperfections from titanium
billets prior to forging.

PELTON DIVISION

SAN FRANCISCO 10, CALIFORNIA

William F. Boyle, *Vice President and General Manager*

PRODUCTS

Water Power Turbines • Governors and Controllers for Water Power Turbines
Large Centrifugal Pumps • Hydraulic Valves for Power Stations • Butterfly
Valves for Water Works • Surge Suppressors and Air Valves for Waterline
Protection • Water Strainers • Hydraulic Oil Well Pumping Jacks

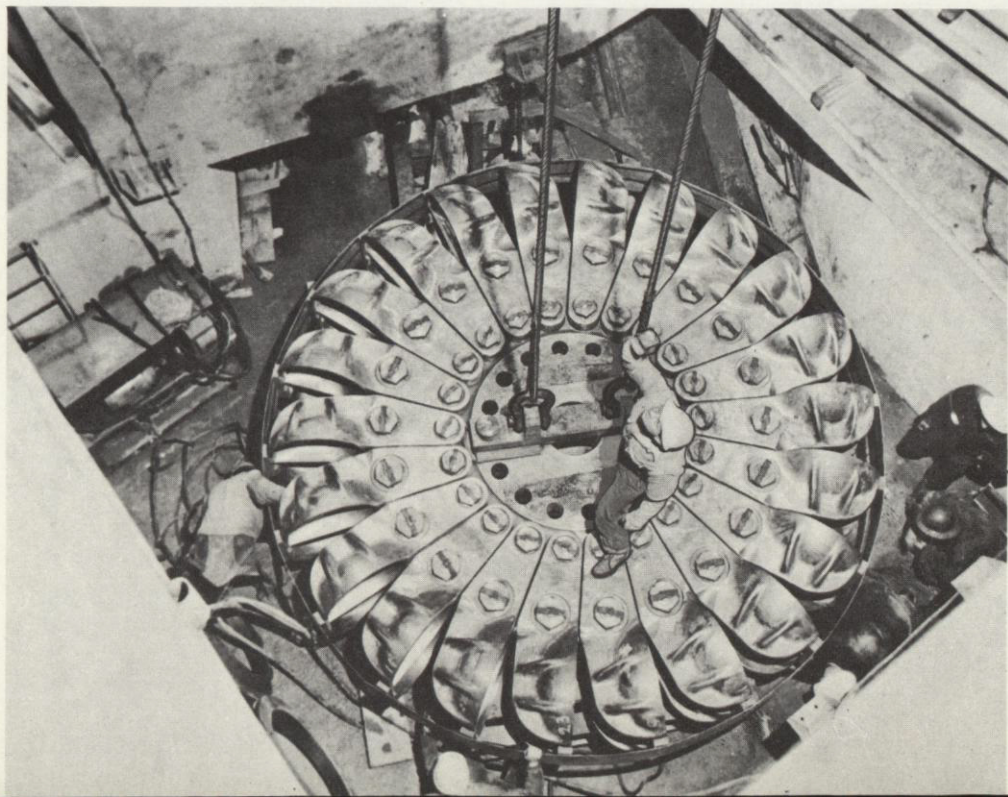
Pelton, too, had an active year in 1956. New business booked was at an all time high.

In the turbine field, contracts were negotiated for five major units totaling 350,000 h.p. Two of these units will be installed in the Country's first underground power plant—the Haas Plant of Pacific Gas and Electric. These turbines, each rated at 92,000 h.p. at 2,324' head, will be the largest modern high-head, high-speed impulse type prime movers in operation in the United States.

Orders were also secured for 4 major turbines, designed by Pelton but to be manufactured by Pelton's Canadian licensee, the Vancouver Iron Works. One of these, a repeat order, is of 150,000 h.p. for the Aluminium Company of Canada.

Pelton has a long-range product diversification program. A comprehensive line of rubber-seated butterfly valves for water works service, steam power plant and industrial applications is now available. Also being developed are: a line of electrical operators for remote control valves and other equipment; an electric governor for water power turbines; an electronic balancing machine for dynamically balancing large rotating parts; an automatically selective controller for use on surface irrigation systems and a multi-stage turbo-drill power unit for deep oil well drilling.

From this development base, Pelton can continue to meet its customers' requirements.



Pelton turbine runner being installed
in Aluminium Co. of Canada power house
at Kemano, British Columbia.

ELECTRONICS AND INSTRUMENTATION DIVISION

WALTHAM, MASSACHUSETTS

J. Robert Martin, *Vice President and General Manager*

PRODUCTS

SR-4 Strain Gages • Torque Pickups • Load Cells • Pressure Cells • Associated Electronic Instrumentation • Universal Testing Machines • Fatigue Machines • Creep Machines • Impact Machines • Testing Machine Accessories

This Division moved into its new home at Waltham, Massachusetts, last October thereby consolidating operations heretofore carried on at four smaller and widely separated plants. This has permitted a fully integrated operation. Benefits are already evident.

Among the new products developed by this Division is a torque wrench tester, expected to be of considerable interest to the Armed Services as well as to the automotive industry. Also new is the application of the B-L-H weighing system to fork lift trucks, as well as a complete system for the accurate weighing of both military and commercial aircraft.

There is an increasing demand for our load and pressure cells by prime contractors engaged in the production of missiles of various types. Our engineers have been busy in the field of testing machines, and have developed a novel universal machine based on entirely new principles. They are also working on an hydraulic vibration machine, which could well open up entirely new fields, and, finally, a new and improved design of creep-testing machine.

B-L-H systems placed in operation in the past year in the processing industry and in the field of fluid measurement have doubled in number.



Recent application of B-L-H electronic weighing system to fork lift truck.

CONSTRUCTION EQUIPMENT DIVISION

Henry F. Barnhart, *Divisional General Manager*

LIMA WORKS

LIMA, OHIO

Henry F. Barnhart, *Vice President and General Manager*

PRODUCTS

Power Shovels • Cranes • Draglines • Pull Shovels • Rock Crushing Equipment
Roadpacker

Lima products were in good demand throughout 1956. World-wide recognition of Lima engineering resulted in shipments to 53 countries. In the United States, demand for Lima products was accelerated by new highway building programs, and by a substantial increase in the mining of coal and various ores. Large industrial and building projects, as well as the favorable number of new housing starts requiring long-hook cranes and shovels, helped to increase sales.

Engineering throughout the entire Lima line is constantly being studied for new improvements. During the year a new 3 yard shovel, which also serves as a 100 ton lifting crane, was brought out with gratifying acceptance. The Lima "Roadpacker", a recently acquired unit for high-density compaction by the vibratory method, is currently being placed in volume production.

In 1957 Lima will also furnish complete Madsen asphalt plants for the eastern market.

The extensive plant rearrangement plan underway for some time at Lima is nearing completion. Improved efficiency including better inventory control will result.

The need for earth-moving machinery looks bright in 1957. The demand for large size machines is especially promising. Toward the end of the year the Federal highway program should have considerable impact upon the industry.



Lima 3 Cubic Yard Shovel
exhibited at the
American Road Builders
Convention held in
Chicago, January 1957.

AUSTIN-WESTERN WORKS

AURORA, ILLINOIS

Charles M. Lippincott, *Vice President and General Manager*

PRODUCTS

Road Graders • Hydraulic Cranes • Road Rollers • Street Sweepers

Austin-Western's year-old program, covering the redesign of its construction equipment, is now completed. The various units comprising the line have been made more powerful, thereby increasing their productivity and decreasing the time involved to perform work.

A new 4.10 yard street sweeper, known as "Model 60", has been released for production, and is now available for delivery. Another new product, a 3 to 6 ton variable weight tandem roller, has passed all tests, and has also been released for production.

In the face of increasingly competitive markets, our sales organization was carefully reviewed, sales territories redetermined in an effort to provide better coverage and to improve service to our customers.

Sales of our new self-propelled hydraulic crane continue to grow in volume. New uses for this type of equipment are being found by the many industries it serves. A recent application is being developed—handling guided missiles—necessitating the most precise material-handling equipment.

MADSEN WORKS

LA MIRADA, CALIFORNIA

Henry F. Barnhart, *Vice President and General Manager*

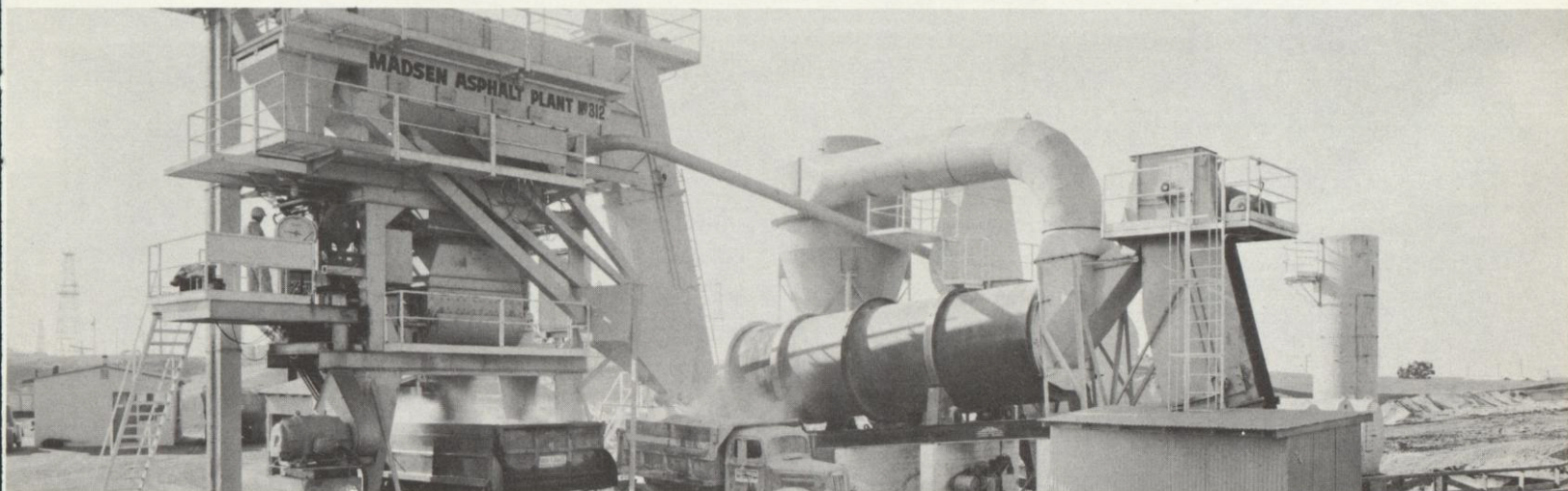
Walter Madsen, *Vice President In Charge of Research and Development*

PRODUCTS

Asphalt Paving Plants • Aggregate Dryers and Dust Collectors • Cement Finishers

The Madsen Works has completed its most successful year. In addition to holding its position in the Western states, sales of asphalt plants this year have been extended to the South and East. This has been made possible by utilizing the Lima, Ohio Works to manufacture accessories for asphalt plants such as dryers, dust collectors and renewal parts. Beginning this year, asphalt plants will also be built by Lima for Eastern usage.

Designs are now completed for a higher capacity asphalt plant. It will be ready to be marketed this year.



Madsen Asphalt Plant in operation at
Huntingdon Beach, California.

BALDWIN - L I M A - H A M

BALANCE

DECEMBER 31.

ASSETS	1956	1955*
CURRENT ASSETS:		
Cash.....	\$ 5,679,526	\$ 6,613,993
Trade receivables (less reserve, \$246,000 in 1956 and \$236,000 in 1955).....	38,522,938	31,250,533
Mortgages receivable.....	651,750	—
Federal income tax refundable.....	1,475,000	—
Inventories at lower of cost or market (less re- serve, \$684,000 in 1956 and \$1,101,000 in 1955)	62,151,357	59,068,396
Prepaid expenses.....	339,765	255,016
Total Current Assets.....	\$108,820,336	\$ 97,187,938
 TRADE RECEIVABLES—Not due within one year....	 6,539,509	 6,939,285
 MORTGAGES RECEIVABLE—Not due within one year.	 4,013,250	 —
 INVESTMENTS—At cost.....	 457,694	 446,965
 PROPERTY, PLANT AND EQUIPMENT—At cost (less reserve for depreciation and amortization, \$44,340,370 in 1956 and \$53,781,183 in 1955)....	 31,272,806	 41,515,118
	<u>\$151,103,595</u>	<u>\$146,089,306</u>

*Amounts reclassified for comparison.

The Executive Stock Option Plan provides that the Company may grant options to key executives of the Company to purchase not in excess of 200,000 shares of the Company's common stock at prices not less than 95% of market value at the time the option is granted. At January 1, 1956, options were outstanding for 75,500 shares and

ILTON CORPORATION

SHEET

1956 AND 1955

LIABILITIES	1956	1955
CURRENT LIABILITIES:		
Notes payable, banks.....	\$ 18,500,000	\$ 12,000,000
Accounts payable, trade.....	14,185,851	12,015,838
Dividend payable.....	434,359	434,359
Advances on sales orders.....	653,421	1,569,492
Provision for taxes on income.....	1,210,713	1,869,449
Other taxes, wages, commissions, etc.....	6,030,609	5,355,347
Total Current Liabilities.....	\$ 41,014,953	\$ 33,244,485
RESERVES FOR PRODUCT GUARANTEES AND OTHER EXPENSES.....	2,004,000	1,600,000
SHAREHOLDERS' BOOK EQUITY:		
Common stock, \$13 par:		
Authorized, 5,000,000 shares		
Issued, 4,782,778 shares.....	62,176,114	62,176,114
Surplus:		
Capital in excess of par value.....	26,827,335	26,827,335
Accumulated earnings reinvested in the business.....	23,033,930	26,194,109
	\$112,037,379	\$115,197,558
Less treasury common stock at cost, 439,193 shares.....	3,952,737	3,952,737
Total Shareholders' Book Equity....	\$108,084,642	\$111,244,821
	\$151,103,595	\$146,089,306

124,500 unoptioned shares were available under the Plan. During 1956, options for 40,550 shares were granted, options for 23,500 shares terminated, and no options were exercised. At December 31, 1956 options to purchase 92,550 shares for an aggregate of \$1,101,594 were outstanding and 107,450 unoptioned shares were available under the Plan.

BALDWIN - LIMA - HAMILTON CORPORATION

STATEMENT OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 1956 AND 1955

	1956	1955
INCOME:		
Net sales.....	\$195,262,701	\$160,346,569
Royalties and licenses.....	405,258	551,943
Interest earned.....	522,074	508,340
Net profit on sale of property.....	144,502	513,655
Miscellaneous.....	210,318	260,213
Total.....	<u>\$196,544,853</u>	<u>\$162,180,720</u>
COSTS AND EXPENSES:		
Cost of products sold including engineering, selling and administrative expenses.....	\$183,990,368	\$154,324,532
Depreciation and amortization.....	3,676,840	3,442,010
Contributions for employees' retirement.....	1,854,695	1,442,017
Taxes on income (see statement of accumu- lated earnings).....	2,735,000	950,000
Interest and miscellaneous.....	556,037	265,708
Total.....	<u>\$192,812,940</u>	<u>\$160,424,267</u>
NET INCOME.....	<u>\$ 3,731,913</u>	<u>\$ 1,756,453</u>
Per share—Outstanding at end of year.....	\$.86	\$.40

The special credit of \$1,900,000 shown in the statement of income for 1955 has been reclassified to accumulated earnings.

BALDWIN-LIMA-HAMILTON CORPORATION

STATEMENT OF ACCUMULATED EARNINGS REINVESTED IN THE BUSINESS

FOR THE YEARS ENDED DECEMBER 31, 1956 AND 1955

	1956	1955
Balance, January 1	\$26,194,109	\$24,699,449
Net income	3,731,913	1,756,453
Special (charges) and credits:		
Charges attributable to consolidation and re- arrangement of operating facilities, including losses from related disposals of properties and equipment and adjustments of carrying values of parts, drawings and patterns, net of re- lated tax credit of \$4,210,000	(5,154,658)	—
(the income account was charged with \$2,735,000 of such credit representing an amount equivalent to taxes on 1956 in- come, and the balance of \$1,475,000 has been shown in the balance sheet as Federal income tax refundable)		
Unrequired income tax provision of prior years (see note to statement of income)	—	1,900,000
Dividends declared	(1,737,434)	(2,161,793)
Balance, December 31	<u>\$23,033,930</u>	<u>\$26,194,109</u>

REPORT OF AUDITORS

To the Shareholders of

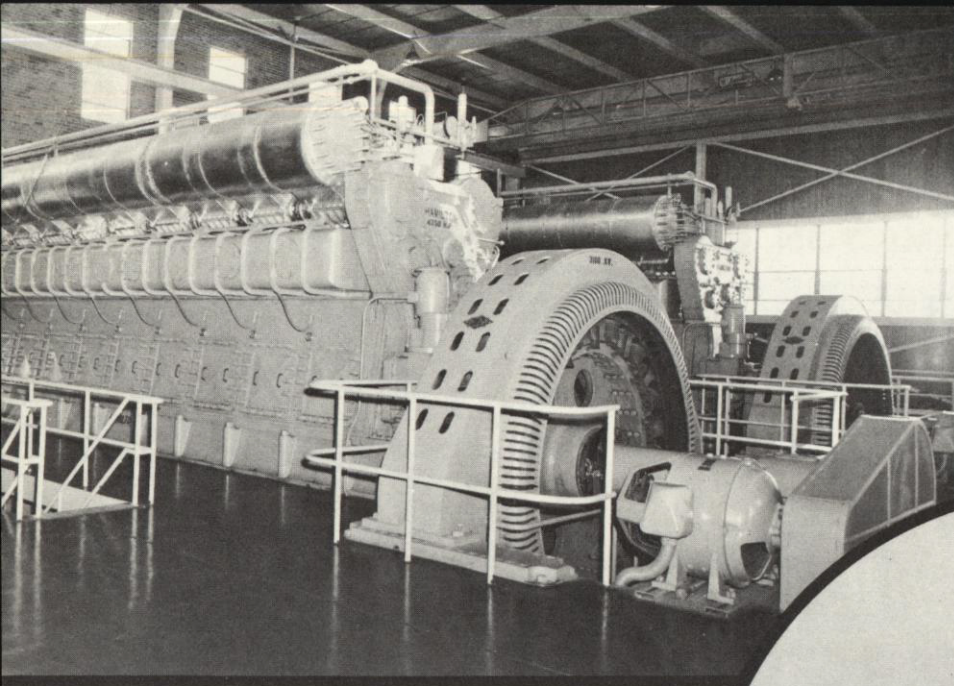
BALDWIN-LIMA-HAMILTON CORPORATION:

We have examined the balance sheet of Baldwin-Lima-Hamilton Corporation as of December 31, 1956, and the related statements of income and surplus for the year then ended. We were unable to obtain confirmation of certain amounts due from the United States Government but we satisfied ourselves as to such amounts by other auditing procedures. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

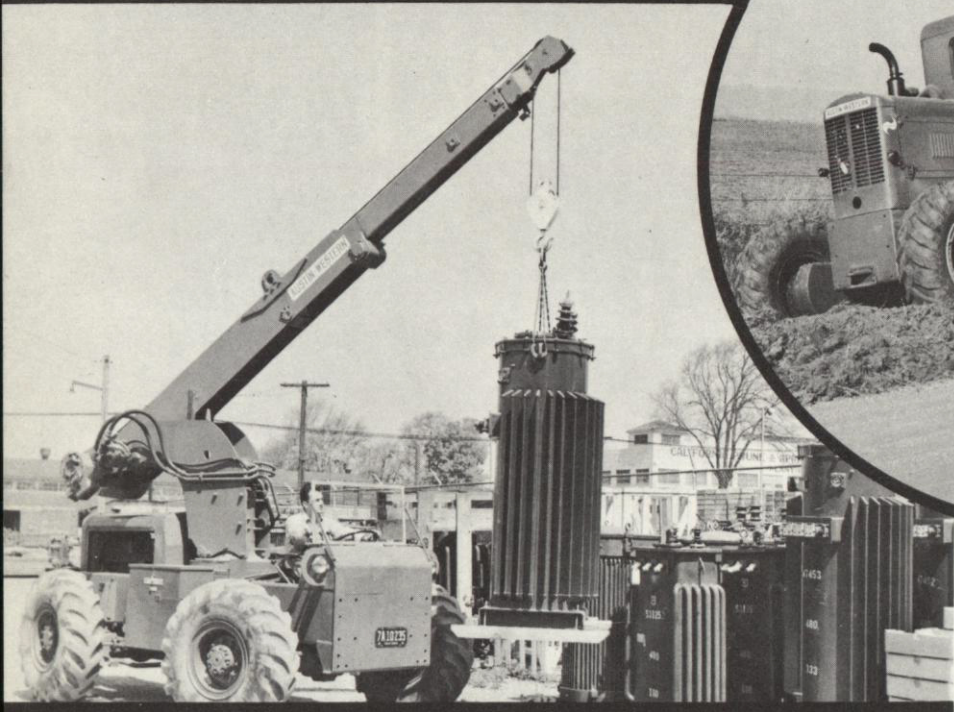
In our opinion, the accompanying balance sheet and the statements of income and surplus present fairly the financial position of Baldwin-Lima-Hamilton Corporation at December 31, 1956, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

LYBRAND, ROSS BROS. & MONTGOMERY

Philadelphia, Pennsylvania
February 6, 1957



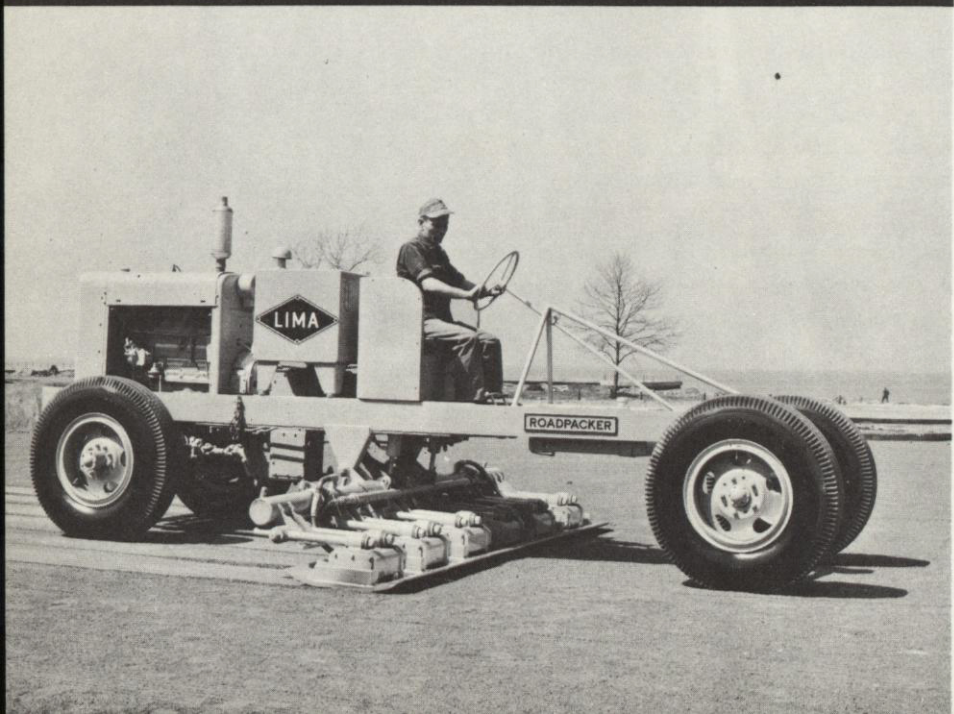
Two Hamilton dual fuel diesel engines installed in power plant at Great Bend, Kansas.



One of the countless applications of the Austin-Western Hydraulic crane.



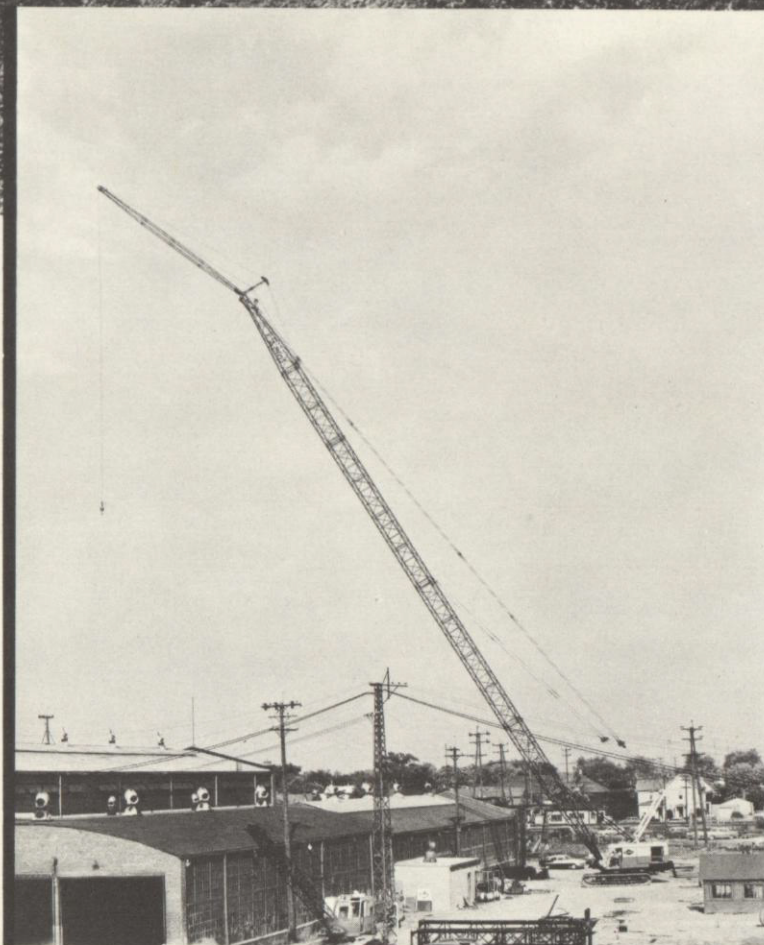
Austin-Western Super 99 Power grader, 6 wheel drive and steer, equipped with torque converter.



Lima Roadpacker Vibratory compacting machine for preparing basis for road paving.



Lima Austin-Western crusher producing sized stone for the Waldo Approach to the Golden Gate Bridge.



Lima Crane equipped with a 200 ft. boom, 50 ft. jib.

BACK COVER

Artist's conception of earth satellite rocket about to take off. Testing and launching platform is being designed and built by Loewy-Hydropress Division.

